CITY HALL COUNCIL CHAMBERS
SANTA MARIA, CALIFORNIA
REGULAR MEETING

AUGUST 7, 2007

INVOCATION:
Pastor Greg Burtnet of Grace Baptist Church, gave the invocation.

PLEDGE OF ALLEGIANCE TO THE FLAG:
Councilmember Patino led the pledge of allegiance.

CALL TO ORDER:
Mayor Lavagnino called the Regular Meeting of the City Council to order at 6:30 p.m.

ROLL CALL:
MEMBERS PRESENT
Councilmembers Orach, Patino, Trujillo, Zacarías, and Mayor Lavagnino

STAFF MEMBERS PRESENT
City Manager Ness, City Attorney Trujillo, Assistant City Manager Haydon, Fire Chief Ortiz, Director of Public Works/City Engineer Whitehead, Director of Recreation and Parks Posada, Police Chief Macagni, Director of Community Development Lindsey, Utilities Engineer Hagemann, City Librarian Pinneli, Building Division Manager Marshall, Community Programs Manager Coelho-Hudson, and Chief Deputy City Clerk Perez.

COMMENDATION FOR STEVEN LEWIS
Mayor Lavagnino read a resolution commending Steven Lewis for nine years of outstanding service and dedication on the Block Grants Advisory Committee.

Resolution No. 2007-107 was adopted commending Steven Lewis on motion by Mayor Lavagnino, seconded by Councilmember Patino, and carried on the following vote:

AYES: Councilmembers Orach, Patino, Trujillo, Zacarías, and Mayor Lavagnino
NOES: None
ABSENT: None
ABSTAIN: None

Resolution No. 2007-107 adopted. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, RECOGNIZING AND COMMENDING STEVEN LEWIS FOR HIS OUTSTANDING SERVICE TO THE RESIDENTS OF SANTA MARIA AS A MEMBER OF THE BLOCK GRANTS ADVISORY COMMITTEE.

Mayor Lavagnino presented the Resolution to Steven Lewis and thanked him for his years of service to the City and the community.

PROCLAMATION – LA GUITARRA DAYS
Councilmember Zacarías read a proclamation declaring September 21 - 23, 2007, as "La Guitarra Days" in the City of Santa Maria, and encouraging all residents to take part in the three-day music festival to be held at Allan Hancock College. The proclamation was accepted by Russ De Angelo, Festival Director.

GOING THE EXTRA MILE (GEM) Award
City Manager Ness presented the quarterly Going the Extra Mile or GEM Award to Jeni Newell for her outstanding efforts in creating and coordinating the "Santa Maria Safari," an all-day event held in May 2007 that promoted learning through a community partnership. The event was enthusiastically received by the community as evidenced by the attendance of approximately 270 children and parents who visited five local museums.

PUBLIC COMMENT
Joan Leon spoke about items being placed on the Consent Agenda such as Item 3G and asked what the criteria was for placing an item on the Consent Agenda and what the definition of routine was.

Joann Marmolejo asked for clarification on Consent Agenda items and the public's ability to speak on those items. She expressed concern about Consent Agenda Item 3G, an amendment to the Business Retention and Attraction Loan Program Guidelines, and the criteria for applicants. She suggested the money be given back to the rate payers instead of being used for business loans.

The Mayor directed the City Manager to follow-up and address Ms. Leon's and Ms. Marmolejo's comments and questions with them.

CONSENT CALENDAR
Councilmember Trujillo requested Item 3C be pulled for comment. Councilmember Zacarías requested Items 3D, 3G, and 3H be pulled for comment.

Item 3C – Grand Jury Report regarding Public Safety.
Councilmember Trujillo stated a lot of people did not understand the function of the Grand Jury. Many of the things the Grand Jury investigated were to try to improve the processes and were not indictments against the City.

Item 3D – Grand Jury Report regarding Affordable Housing
Councilmember Zacarías stated she did not agree with the City's response on three of the recommendations from the Grand Jury. Recommendation No. 1 asked jurisdictions to focus on meeting local housing needs rather than relying on one type of program. The City's response is that it would not be implemented because it was unreasonable as it assumes that it takes more than one type of affordable housing program to meet local housing needs which is not necessarily accurate.

Director of Community Development Lindsey explained that the City's response was in recognition of the fact that one type of program could address a jurisdiction's local housing needs. The Grand Jury's recommendation seemed to imply that one housing program could not meet a jurisdiction's housing needs, and that was what they disagreed with. It could be one or more programs. The City has always been open to whatever housing programs would address the needs of the community.

Councilmember Zacarías stated she wanted to make sure that the City was open to not limiting itself to one type of housing program. She said she still disagreed with the way the response was written. She suggested that the third sentence be changed to read: "Given the correct set of circumstances one or more housing programs could meet a jurisdiction's needs and this recommendation assumes this cannot happen."

City Manager Ness commented that the Council could make changes to the language. He explained that the City was very limited in the wording of responses that could be provided to the Grand Jury. There were four different types of answers: (1) the recommendation has been implemented; (2) the recommendation has not been implemented, but will be; (3) the recommendation requires further analysis with an explanation; and (4) the recommendation will not be implemented because it is not warranted or it is not reasonable with an explanation.

Councilmember Zacarías stated she also disagreed with the language of the response to Recommendation No. 2 which says "at least annually, each jurisdiction should hold informational community meetings to explain all aspects of its affordable housing program." She asked if the City had some type of affordable housing meeting at least once a year.

Director Lindsey stated the City did not hold an annual affordable housing meeting. The City did do updates to the information relative to the General Plan annually to the Office of Planning and Research. What the City disagreed with was that there had to be an annual meeting. The frequency of such informational meetings and the type of

information to be shared should be based on the needs of each jurisdiction. He suggested the following language change: "The recommendation will not be implemented because the frequency of such informational meetings and the type of information to be shared should be based on the needs of each jurisdiction and best left to each jurisdiction's discretion. The City values the sharing of pertinent information at community meetings."

Councilmember Zacarías stated Recommendation No. 3 urges the jurisdictions to focus more on developing very-low-income and low-income housing to meet the Regional Housing Needs Assessment goals. Santa Maria was number one in meeting its overall goals, but not as successful in meeting its goals for the lower-income housing. She said she was not clear on the City's response.

Director Lindsey stated what he was saying was that Guadalupe was the only City that was meeting its requirements. All the other cities were not meeting those requirements, and the reasons for not being able to meet those requirements need to be determined.

Item 3G – Amendments to the Business Retention and Attraction Loan Program Guidelines.
Councilmember Zacarías stated she was totally in support of the Loan Program but against the City having any type of loan guarantee. She said it put the City at greater risk of losing the money than a direct loan. She was also concerned about the requirement to be a Chamber of Commerce member. These were City funds that should be available to all City businesses.

Community Programs Manager Coelho-Hudson explained that there was some risk involved with the loan guarantee; however, the loan guarantee portion from the City would only be a very small portion of the loan. It would be over a short period of time so as the loan was repaid and the loan-to-value requirement was reached, the City's guarantee, which would be held in a Certificate of Deposit, would be released. The City would receive interest on that Certificate of Deposit. It was a way to leverage the City's money and have another way under the program to assist businesses.

City Manager Ness commented that the Business Retention and Attraction Loan Program Guidelines were approved by the City Council about a year and a half ago. The policy of having to be a Chamber of Commerce member was included and approved by the Council at that time. The reason for that requirement was so businesses could take advantage of all the benefits of being a Chamber member and be exposed to all the services offered by the Chamber.

Bob Hatch, President and CEO of the Santa Maria Valley Chamber of Commerce, stated there was a great deal of discussion about that requirement. They wanted businesses to become exposed to the Chamber and its services. If a person qualified for a loan and refused to become a Chamber member, they would consider some sort of waiver.

Councilmember Zacarías stated she would agree if the funds were private; but because they were public dollars, it was restricting the businesses who could apply. She said she did not support loan guarantees at all but did support direct loans.

Councilmember Orach stated this was a way to get more banks involved in the program. It would allow the City to leverage more loans.

Brian Kearns, Coastal Business Finance, stated loan guarantees were a very common way to leverage funds. The County of San Luis Obispo EVC has a loan fund that does the same thing and was primarily used to leverage SBA loans. If the Council approved the two loans on the agenda, there would be outstanding loans of approximately $190,000. There was another loan request pending for about $200,000 for a total of about $400,000. The program was just starting to build up momentum. The loan guarantees would be a way to take smaller blocks of money and leverage them for a three-year period of time for a smaller percentage of the project.

Item 3H – Two Business Retention and Attraction Loan Program Loans
Councilmember Zacarías asked why this item was on the Consent Agenda when the last loan was on Regular Business.

City Manager Ness replied he did not recall if the last loan was on the Consent Agenda. If it was on the Regular Agenda, it was because it was the first loan under this program.

Councilmember Zacarías requested Item 3G be voted on separately.

Consent Calendar Items A through K except G were approved with the suggested corrections to the City's response to the Grand Jury Report on Affordable Housing on motion by Councilmember Orach, seconded by Councilmember Zacarías and carried on the following vote:

AYES: Councilmembers Orach, Patino, Trujillo, Zacarías, and Mayor Lavagnino
NOES: None
ABSENT: None
ABSTAIN: None

A. ORDINANCES
The reading in full of all ordinances and resolutions was waived. Ordinances on the Consent Calendar were adopted by the same vote cast at the first reading unless City Council indicated otherwise.

B. MINUTES
The Minutes of the Regular City Council Meeting of July 17, 2007, were approved as submitted.

C. GRAND JURY REPORTS
Council approved the City's response to the Santa Barbara County Grand Jury Reports entitled "Law, Justice and Public Safety: Selected Community Challenges," and "Detention Facilities Inspections" and authorized the Mayor to sign the Council's response and the City Clerk to transmit it to the Presiding Judge of the Superior Court and the Grand Jury.

D. GRAND JURY REPORT
Council approved the City's amended response to the Santa Barbara County Grand Jury Report entitled "Affordable Housing in Santa Barbara County: Myth or Reality?" and authorized the Mayor to sign the Council's response and the City Clerk to transmit it to the Presiding Judge of the Superior Court and the Grand Jury.

E. WARRANTS
Warrant Nos. 135788 to 136256 in the amount of $3,988,123.48 were ordered ratified subject to having been certified as being in conformity with the budget and having been approved for payment by the Director of Administrative Services. Warrant Nos. 134158, 134309, 135690, 135743, 130947, and 130951 were canceled.

F. PAYROLL
Payment of payroll was ordered ratified subject to having been certified by the proper Department Heads, as shown on records on file in the Department of Administrative Services and having been approved for payment by the Director of Administrative Services.

G. BUSINESS RETENTION AND ATTRACTION LOAN PROGRAM GUIDELINES
Pulled from Consent for a separate vote.

H. BUSINESS LOANS
Resolution No. 2007-109 was adopted approving two business loans for James P. Sweeney, M.D., Inc., and Michael K. Lai, M.D., Inc.

Resolution No. 2007-109 adopted. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, APPROVING THE RECOMMENDATION OF

COASTAL BUSINESS FINANCE TO FUND TWO BUSINESS LOANS, ONE IN THE AMOUNT OF $57,652 TO JAMES P. SWEENEY, M.D., INC., AND ONE IN THE AMOUNT OF $57,652 TO MICHAEL K. LAI, M.D., INC., UNDER THE BUSINESS RETENTION AND ATTRACTION LOAN PROGRAM AND AUTHORIZING THE CITY MANAGER TO EXECUTE LOAN DOCUMENTS FOR THE AMOUNTS AND TERMS SPECIFIED BY COUNCIL.

I. AWARD OF BID

Resolution No. 2007-110 was adopted awarding the bid to and approving an agreement with Windsor Fuel Company for Street Maintenance (Chip Seal), Bid No. 2008/02, in the amount of $1,027,000.

Resolution No. 2007-110 adopted. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, APPROVING A CONTRACT WITH WINDSOR FUEL COMPANY FOR STREET MAINTENANCE (CHIP SEAL), BID NO. 2008/02.

J. AWARD OF BID

Resolution No. 2007-111 was adopted awarding the bid to and approving an agreement with Union Asphalt, Inc., for Betteravia Road and Blosser Road Signal Interconnection and East Betteravia Road Widening, Bid No. 2007/05, in the amount of $907,359.50.

Resolution No. 2007-111 adopted. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, APPROVING A CONTRACT WITH UNION ASPHALT, INC., FOR BETTERAVIA ROAD AND BLOSSER ROAD SIGNAL INTERCONNECT AND EAST BETTERAVIA ROAD WIDENING, BID NO. 2007/05.

K. ADDENDUM TO SUPPLEMENTAL WATER AGREEMENT

Resolution No. 2007-112 was adopted approving a second addendum to the Supplemental Water Agreement between the City and SB Clark, LLC.

Resolution No. 2007-112 adopted. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, AUTHORIZING THE CITY MANAGER TO ENTER INTO A SECOND ADDENDUM TO THE SUPPLEMENTAL WATER AGREEMENT WITH SB CLARK, LLC TO EXTEND THE AGREEMENT FOR ONE YEAR.

G. BUSINESS RETENTION AND ATTRACTION LOAN PROGRAM GUIDELINES

Resolution No. 2007-108 was adopted amending the Business Retention and Attraction Loan Program Guidelines to include loan guarantees as a means of assisting businesses on motion by Councilmember Patino, seconded by Councilmember Orach, and carried on the following vote:

AYES: Councilmembers Orach, Patino, Trujillo, and Mayor Lavagnino
NOES: Councilmember Zacarias
ABSENT: None
ABSTAIN: None

Resolution No. 2007-108 adopted. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, AMENDING THE GUIDELINES FOR THE BUSINESS RETENTION AND ATTRACTION LOAN PROGRAM.

DEVELOPMENT AGREEMENT WITH INLAND PACIFIC BUILDERS

Director of Public Works/City Engineer Whitehead gave the Staff Report. The City Council is asked to consider a Development Agreement with Inland Pacific Builders to allow the reimbursement of the cost to construct the Battles Railroad Crossing and a traffic signal at Battles Road and Depot Street which were required as a condition of approval for the Estates at Pacific Crest project (previously Rose Garden Subdivision) Tract 5725. The Development Agreement will establish the construction standards in effect when the agreement is adopted and will establish how monetary reimbursement or credit for the developer will occur. The Agreement included in the Council's agenda packet provides for reimbursement of up to a maximum of $823,000. However, the construction of the railroad crossing was delayed due to utility conflicts which have

increased the cost of the construction. The developer is now requesting approval of a maximum reimbursement amount of $865,000.

Mayor Lavagnino opened the Public Hearing. Hearing no requests to speak, Mayor Lavagnino closed the Public Hearing.

Councilmember Zacarías asked if the $865,000 was the cost of providing the improvements and if those monies came from the Development Impact Fees.

Director Whitehead explained that the AB 1600 or Growth Mitigation Fee program was set up to fund regional improvements that benefit the entire City so that an individual developer would not be burdened with having to pay for the entire cost of these tremendously expensive regional improvements. This developer was building the improvements and then being reimbursed with funds from the program that all developers pay into.

Ordinance No. 2007-15 approving a development agreement with Inland Pacific Builders, Inc., with the new reimbursement amount of $865,000 was introduced by title only for first reading and continued to the next meeting for second reading and adoption on motion by Councilmember Trujillo, seconded by Councilmember Orach, and carried on the following vote:

AYES: Councilmembers Orach, Patino, Trujillo, Zacarías, and Mayor Lavagnino
NOES: None
ABSENT: None
ABSTAIN: None

Ordinance No. 2007-15 introduced. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, APPROVING A DEVELOPMENT AGREEMENT WITH INLAND PACIFIC BUILDERS, INC., FOR THE REIMBURSEMENT OF THE COSTS TO CONSTRUCT THE BATTLES ROAD RAILROAD CROSSING AND THE TRAFFIC SIGNAL AT BATTLES ROAD AND DEPOT STREET.

AMENDMENT TO GROWTH MITIGATION FEE ORDINANCE

Director of Public Works/City Engineer Whitehead gave the Staff Report. The City Council is asked to consider an ordinance amending Ordinance No. 2007-06 to clarify a provision relating to calculation of Growth Mitigation Fees for additions and exemptions for kitchens and baths. Ordinance No. 2007-06 which updated the Growth Mitigation Fees was adopted on May 1, 2007. The newly adopted 2007 Growth Mitigation Fee program included two new program components: (1) the new fees are calculated on a square footage basis; and (2) fees now apply to residential additions, not solely new construction. Furthermore, City Council directed staff to provide an exemption for kitchen and bathroom additions. After discussing and reviewing the adopted ordinance with various staff, and giving consideration with regard to ways in which to implement the newly adopted ordinance provisions as they relate to building additions, it was determined that implementation problems would arise. The proposed text revisions would eliminate a need for staff members to analyze each individual building permit application to determine which portion of the overall residential addition square footage qualifies for the exception. Instead, every residential addition building permit would be eligible for an exception of up to 150 square feet (sf) only if the resulting increase in assessable space exceeds 150 square feet. Previous building permit data analyzed by staff supports the 150 sf number as a representative size of typical kitchen and bathroom additions.

Mayor Lavagnino opened the Public Hearing. Hearing no requests to speak, Mayor Lavagnino closed the Public Hearing.

Ordinance No. 2007-16 amending the 2007 Growth Mitigation Fee Ordinance was introduced by title only for first reading and continued to the next meeting for second reading and adoption on motion by Councilmember Trujillo, seconded by Councilmember Orach, and carried on the following vote:

AYES: Councilmembers Orach, Patino, Trujillo, Zacarías, and Mayor Lavagnino
NOES: None
ABSENT: None
ABSTAIN: None

Ordinance No. 2007-16 introduced. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, REVISING THE 2007 GROWTH MITIGATION FEES.

FOURTH QUARTER BUDGET REPORT

Assistant City Manager Haydon gave the staff report. With 100 percent of the year complete, revenues were at 106.8 percent of projections while expenditures were at 91.4 percent of appropriations. Total revenue and transfers were $54.2 million. Departmental expenditures were $48.1 million, and approximately $2 million or 5.1 percent higher than the prior year. The top five revenue sources accounted for about 66.7 percent of total General Fund revenues. Sales tax receipts were approximately $455,900 more than the prior year. The $15.6 million of sales tax revenue is expected to exceed the budgeted $17.4 million amount when the year-end accruals are completed in September. Vehicle License Fee receipts were approximately $475,000 more than last year and were 103.2 percent of the budget. Property tax receipts were 137.5 percent of budget and $1.5 million higher than last year. Operating costs were 8.1 percent less than budgeted, and total General Fund Expenditures of $48.1 million were 8.6 percent less than budget at the end of the fourth quarter. In the Water/Wastewater Fund, revenues exceeded expenditures by $772,480; however, there were still many year-end audit adjustments that would change this amount. A budget amendment report was included which recommends certain personnel and operational changes.

Councilmember Zacarías asked where the revenue from the Non-Hazardous Impacted Soil (NHIS) program were shown in the report.

Assistant City Manager Haydon explained that the revenues attributed to the NHIS program were found in the General Fund.

Councilmember Zacarías asked why the Solid Waste Fund would show a loss when the NHIS revenues which were related to the Landfill went into the General Fund. She said she wanted to know how much was coming in and going out from the NHIS program.

Assistant City Manager Haydon explained that the budget variance in the Solid Waste Fund was attributed to the advances that were made from the current Fiscal Year to the previous Fiscal Year for capital projects that progressed faster than anticipated.

Councilmember Patino stated she thought it was interesting that there was an increase in property taxes of $1.5 million over the prior year with the downturn in the housing market. Homeowners were asking for reassessments of their property because of the market.

Resolution No. 2007-113 approving amendments to the 2006-07 budget was adopted on motion by Councilmember Orach, seconded by Councilmember Trujillo, and carried on the following vote:

AYES: Councilmembers Orach, Patino, Trujillo, Zacarías, and Mayor Lavagnino
NOES: None
ABSENT: None
ABSTAIN: None

Resolution No. 2007-113 adopted. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA MARIA, CALIFORNIA, APPROVING AMENDMENTS TO THE BUDGET FOR FISCAL YEAR 2006-07 AND AUTHORIZING THE CITY MANAGER TO IMPLEMENT SAME.

CITY MANAGER'S REPORT
City Manager Ness reported on items for the August 21, 2007, City Council meeting including a public hearing for an amendment to the development agreement with Inland Pacific Builders for East Main Street, as well as the Chamber of Commerce and Economic Development Committee semi-annual reports.

ORAL REPORTS BY COUNCILMEMBERS
Councilmember Trujillo reported on his attendance at the League of California Cities Mayor and Councilmembers Executive Forum in Monterey on July 25, 26 and 27, 2007. He also reported on attendance at the Veteran's Clinic Grand Opening on August 7th.

Councilmember Patino reported that she also attended the Veteran's Clinic Grand Opening. On Saturday, July 21st, she attended the Relay for Life walk at St. Joseph's High School. On Friday, July 27th, she attended the Center for Employment Training Graduation. She also reported that she attended the National Organization of Drugs and Alcohol Conference.

Mayor Lavagnino reported that he participated in the Relay for Life, and he and Supervisor Joe Centeno sponsored a Wine Tasting Day at the Addamo Winery that raised $9,000 for the Relay for Life. He also reported on attending the League of California Cities Mayor and Councilmembers Executive Forum in Monterey on July 25, 26 and 27, 2007.

Councilmember Zacarías congratulated former Police Chief Dan Shiner who recently took over as Police Chief of Texarkana, Texas. Future Leaders of America was scheduled to have their annual conference with 110 students this week; unfortunately the Zaca Fire preempted their camp this year. There would be two weekend training sessions scheduled for sometime in the fall. She also reported that she traveled to Washington, D.C., to visit her son and spend time with Congresswoman Lois Capps. She visited the site of Walter Capps Memorial Tree.

Councilmember Zacarías stated one of her constituents asked her to convey her concerns regarding traffic accidents on the corner of Miller Street and Stowell Road. She asked the Police Department to look into that.

Councilmember Orach stated he participated in the Relay for Life Wine Tasting Fund Raiser and in the Relay for Life walk. He also participated in the Veteran's Clinic Grand Opening and attended the FOP Fund Raising Dinner on August 5th.

CLOSED SESSION
Council recessed to Closed Session at 8:00 p.m. for Conference with Labor Negotiator pursuant to Section 54957.6 of the Government Code; Agency representative: Assistant City Manager; Employee organization: Santa Maria Police Officers Association (SMPOA), and Conference with Legal Counsel - regarding existing litigation pursuant to Subsection (a) of Government Code Section 54956.9 to discuss Santa Maria Valley Water Conservation District (SMVWCD) v. City of Santa Maria.

After the Closed Session, the following was announced:

Conference with Labor Negotiator: SMPOA – Direction to staff was provided.

Conference with Legal Counsel regarding SMVWCD v City: Status report was given. No reportable action was taken.

ADJOURNMENT
There being no further business to come before the City Council at this time, Mayor Lavagnino declared the meeting adjourned at 8:30 p.m. in honor of former Finance Director Bob Hossli who passed away on July 28, 2007.

APPROVED

August 21, 2007
Date

ATTEST

Chief Deputy City Clerk

Chief Deputy City Clerk of the City of Santa Maria and ex officio Clerk of the City Council

Mayor of the City of Santa Maria